

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

UNCLAS STATE 021432

FOLLOWING SENT ACTION TREASURY DEPARTMENT WASHDC INFO SECSTATE
ANDUSIA WASHDC FROM ROME JAN 17 REPEATED YOU:

QUOTE

UNCLAS ROME 0750

E.O. 11652: N/A

TAGS: OVIP, EFIN

SUBJ: SECRETARY SHULTZ PRESS BACKGROUNDER AT C-20 MEETING

TREASURY FOR ALAN WADE

REF.: ROME 677

1. THERE FOLLOWS THE UNEDITED TEXT OF A PRESS BACKGROUNDER BY
TREASURY SECRETARY SHULTZ IN ROME ON JANUARY 17. THIS
BACKGROUND MATERIAL COMPLEMENTS THE SECRETARY'S ON-THE-RECORD
STATEMENT TO THE MEETING OF THE COMMITTEE OF TWENTY THE SAME
DATE AND RELEASED IN ADVANCE ON AN EMBARGOED BASIS.

TEXT OF THE STATEMENT WAS SENT REFTEL.

2. QUOTE:

/TRANSCRIPT OF SECRETARY SHULTZ'S PRESS BACKGROUNDER
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JANUARY 17, 1974 - ROME, ITALY/

WE THOUGHT WE WOULD GIVE YOU THIS SPEECH BEFOREHAND, OR THIS
STATEMENT WHICH, IN ONE MANNER OR ANOTHER, WE HOPE TO PUT FORWARD

THIS MORNING. I UNDOUBTEDLY WON'T READ IT ALL BUT WE WILL STAND BY THE FULL TEXT. WE THOUGH IT MIGHT BE USEFUL TO HAVE A SESSION LIKE THIS IN WHICH YOU COULD RAISE WHATEVER QUESTIONS YOU WANT TO RAISE ABOUT THIS AND, FOR THAT MATTER, THE GENERAL MEETING AS WE GO INTO IT. OF COURSE, WE DON'T KNOW WHAT IS GOING TO HAPPEN SO WE CAN'T COMMENT ON THAT; WE WILL, HOWEVER, ARRANGE SOMEHOW TO HAVE A SESSION WITH THE PRESS AFTER THE MEETING IS CONCLUDED. I THINK YOU ALL HAVE HAD THIS STATEMENT SO YOU MAY PROCEED WITH WHATEVER QUESTIONS YOU WANT TO RAISE.

Q. MR. SECRETARY, WHAT ASSURANCES OR INDICATIONS DO WE HAVE BILATERALLY FROM THE OPEC COUNTRIES THAT THEY MIGHT BE INTERESTED IN SOMETHING OTHER THAN DOLLARS, IMMEDIATE DOLLARS, IN RETURN FOR THEIR OIL?

A. WELL, WE DON'T POSIT THIS STATEMENT ON ANY PARTICULAR ASSURANCE FROM THE OIL PRODUCING COUNTRIES. THIS IS BASED ON OUR OWN ANALYSIS OF THE SITUATION AND WHAT, IN OUR VIEW, IS THE EMERGENCE OF A SET OF IMPLICATIONS THAT WON'T WORK. AND, THAT BEING THE CASE, WE HAVE TO SEE WHAT CAN BE DONE ABOUT IT.

A. ASIDE FROM THE STATEMENT, DO WE HAVE ANY HOPEFUL INDICATIONS? FROM THEM?

A. IN TERMS OF THE.... I DON'T HAVE ANY STATEMENT TO MAKE ABOUT WHAT THE OIL-PRODUCING COUNTRIES HAVE TO SAY FOR THEMSELVES. THAT IS FOR THEM TO SAY. OUR POSITION HERE IS, THIS IS OUR ANALYSIS OF THE SITUATION. THIS SETS FORWARD THE GENERAL PATTERN OR METHOD BY WHICH WE THINK WE NEED TO WORK AT IT AND WE GO ON FROM THERE. WE HOPE TO BE ABLE TO TALK WITH THE OIL-PRODUCING COUNTRIES, BUT THAT IS AN EMERGING AND UNFOLDING DEVELOPMENT. I DON'T HAVE ANYTHING TO SAY ABOUT IT HERE.

Q. DOES THIS REFLECT AN AGREED POSITION AT YOUR DINNER THE OTHER NIGHT WITH THE OTHER ...

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A. THIS IS SIMPLY A UNITED STATES STATEMENT.

Q. MR. SECRETARY, YOU MENTIONED FINANCIAL MECHANISMS IN YOUR SPEECH. DO YOU HAVE ANY PARTICULAR MECHANISMS IN MIND? ANYTHING SPECIFIC THAT YOU INTEND TO PROPOSE OR THAT YOU THINK MIGHT WORK IN ORDER TO RESOLVE THE PROBLEMS?

A. WELL, THE KINDS OF THINGS THAT CAN BE DONE VARY AS BETWEEN SETS OF NATIONS, DEPENDING UPON THEIR SITUATION. WE DO HAVE SWAP LINES WITH A NUMBER OF COUNTRIES. WE THINK THESE ARE IMPORTANT. IT MAY BE IMPORTANT TO STRENGTHEN THEM. THEY WILL BE HELPFUL IN MEETING DEVELOPMENTS IN EXCHANGE MARKETS, AS THEY HAVE BEEN IN THE PAST. WHETHER OR NOT SOME SPECIAL KIND OF FINANCIAL

ARRANGEMENT HAVING TO DO WITH DEVELOPING COUNTRIES EMERGES REMAINS TO BE SEEN. MR. WITTEVEEN HAS MADE A PROPOSAL SOMEWHAT ALONG THESE LINES, AS WE ALL KNOW, AND WE THINK THAT IT IS IMPORTANT TO THINK CONSTRUCTIVELY ABOUT THESE PROBLEMS. WE HAVE LOTS OF QUESTIONS TO RAISE ABOUT THAT PARTICULAR PROPOSAL, BUT MAYBE THEY CAN BE ANSWERED SATISFACTORILY.

Q. IS THAT ALONG THE LINES OF THE SORT OF THING YOU WOULD BE PREPARED TO SUPPORT?

A. WELL, THAT IS A PROPOSAL. BEFORE WE WOULD BE PREPARED TO SUPPORT IT WE WOULD WANT TO KNOW THE ANSWERS TO SOME QUESTIONS THAT WE THINK ARE VERY HARD TO ANSWER.

Q. FOR EXAMPLE?

A. FOR EXAMPLE, IF YOU SET UP SOME SORT OF A FUND, PRESUMABLY IT GETS ITS MONEY FROM SOMEWHERE. I SUPPOSE THE THOUGHT IS FROM THE ARABS. PRESUMABLY, THEY WILL WANT TO HAVE SOME KIND OF GUARANTEE AS TO VALUE, AND THEY WILL WANT TO HAVE SOME REASONABLE RATE OF INTEREST ON THE FUNDS THAT ARE LOANED BY THEM. WE PUT HIS IN THE SETTING OF THE DEVELOPING COUNTRIES. IF THE DEVELOPING COUNTRIES BORROW FROM THIS FUND, THEY WILL HAVE TO PAY A RATE OF INTEREST, AND PRESUMABLY THEY WILL HAVE TO PAY THE MONEY BACK. NOW, WHEN YOU CONSIDER THAT THE RECENT INCREASES IN PRICE, IF APPLIED TO THEIR PAST YEAR'S PURCHASES OF OIL, COME, IN SUM, TO THE EQUIVALENT OF OR PERHAPS A LITTLE MORE THAN THE TOTAL AMOUNT OF THE CONCESSIONARY AID FLOWING TO THEM, IT IS A LITTLE HARD TO UNCLASSIFIED

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SEE HOW THEY ARE GOING TO BE ABLE TO PAY THESE SUMS BACK. AND THEY ALREADY HAVE VERY SUBSTANTIAL DEBT REPAYMENTS GOING ON. SO, THEN, THE QUESTION IS HOW IS THAT GOING TO WORK OUT AS FUND THAT HAS ANY SORT OF PROSPECT OF BALANCING ITSELF? THAT IS THE KIND OF QUESTION THAT WE THINK NEEDS TO BE RAISED. AND, AT LEAST IN OUR JUDGMENT, IT IS AN ILLUSTRATION OF THE SENSE IN WHICH THE IMPLICATIONS OF WHAT HAS HAPPENED LEAD YOU, IN PART, TO SAY THAT IT IS NOT A MANAGEABLE SITUATION. THERE HAS TO BE SOME GIVE IN IT BEFORE YOU CAN START REALLY FIGURING OUT, FINANCIALLY, HOW TO DEAL WITH IT.

Q. WHAT ARE SOME ALTERNATIVES TO MR. WITTEVEEN'S SUGGESTION?

A. WELL, I'VE MENTIONED THE SWAP ARRANGEMENTS. I THINK THE BASIC ALTERNATIVE IS TO BEING FORWARD CLEARLY THE INHERENT DIFFICULTY, WELL-NIGH IMPOSSIBILITY, OF THE SITUATION AS IT EXISTS, AND TO GET THE SITUATION CHANGED SO THAT IT IS MORE MANAGEABLE, IN WHICH CASE, THEN, FINANCIAL ARRANGEMENTS OF ONE SORT OR ANOTHER BECOME MORE POSSIBLE. BUT IT IS NOT REALLY POSSIBLE TO CONCEIVE OF LOANING MONEY ON ANY EXPECTATION OF REPAYMENT TO PEOPLE WHO, VERY CLEARLY, CAN'T REPAY.

Q. WHAT SORT OF CHANGE IN THE SITUATION IS POSSIBLE?

A. THE PRICES ARE TOO HIGH, AND THEY HAVE GOTTEN TO THE PRESENT LEVEL MUCH TOO PRECIPITIOUSLY, SO THAT PEOPLE HAVE NOT HAD A CHANCE TO DIGEST AND ADJUST AND ABSORB AND IN ANY ORERLY WAY WORK THESE THINGS INTO THEIR SYSTEM. OF COURSE, THIS GOES NOT ONLY FOR THE DEVELOPING COUNTRIES BUT FOR THE DEVELOPED COUNTRIES, AND IT IS INTERESTING THAT IT POSES INTERNAL QUESTIONS AS WELL, BECAUSE THE WHOLE LEVEL OF ENERGY PRICES AND OIL PRICES HAS GONE UP. WITHIN A COUNTRY LIKE CANADA, I SUPPOSE, JUST INTERNALLY THEY ARE IN BALANCE ON PETROLEUM, BUT SOME SECTIONS OF THE COUNTRY ARE PRODUCERS AND SOME SECTIONS OF THE COUNTRY ARE CONSUMERS AND YOU HAVE A PROBLEM TO WORK OUT IN THAT REGARD. THE SAME THING IS TRUE INSOFAR AS THE UNITED STATES IS CONCERNED.

Q. WOULD YOU GO TO THE OPEC MEMBERS, THEN, AND ASK THEM TO LOWER THEIR PRICES?.

....PRICES?
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A. I DON'T KNOW THAT I WOULD PUT IT QUITE THAT WAY, BUT WE CERTAINLY ARE PUTTING THE PROBLEM CLEARLY FORWARD AND POINTING UP A SITUATION WHICH WE THINK IS NOT A WORKABLE SITUATION. IN THEORY, I THINK IT IS IMPORTANT FOR THEM TO REALIZE CLEARLY THE IMPLICATIONS OF WHAT HAS HAPPENED, NOT ONLY IN TERMS OF THE GROSS FLOWS AND THE DIFFICULTIES OF MANAGING THESE GROSS FLOWS, BUT THE IMPLICATIONS FOR THEM FOR THEIR OWN DEVELOPMENT. THAT IS, YOU HAVE ALL SORTS OF SECONDARY AND TERTIARY EFFECTS HERE AFFECTING, FOR EXAMPLE, THE PRODUCTION, I'VE NOTICED, OF STEEL AND FERTILIZER IN JAPAN, WITH JAPAN NOT ABLE TO SERVICE SOME OF ITS TRADITIONAL CUSTOMERS WITH RESPECT TO THOSE COMMODITIES. THE SAME THING WILL HAPPEN IN OTHER AREAS, AND THESE ARE THINGS THAT FLOW BACK TO THE ARABS, SO YOU HAVE THAT KIND OF A PROBLEM TO CONSIDER. BEYOND THAT, I THINK THAT, MYSELF, THAT WE ARE ALL GOING TO BE SURPRISED--EVEN PEOPLE LIKE ME WHO TEND TO THINK THAT THIS WILL HAPPEN WILL BE SURPRISED--AT THE WAY IN WHICH THESE EXTRAORDINARY PRICES WILL CALL FORTH SUPPLIES FROM MANY QUARTERS AS TIME GOES ON. I THINK THIS NEEDS TO BE POINTED UP AND MAY PUT SOME SENSE OF PERSPECTIVE INTO THESE PRICES AND PRICE MOVEMENTS.

Q. FOR THE TIME BEING, THOUGH, YOU ARE SAYING THAT THERE IS NO SOLUTION TO THE PROBLEM UNLESS THE PRICES COME DOWN?

A. I THINK THAT, WELL, THERE IS A SOLUTION IN THE SENSE THAT WE WILL CONSUME LESS. THERE IS A SOLUTION IN THE SENSE THAT THE PRICES ARE EXTRAORDINARY, AND I MIGHT SAY SOME OF THE OIL OFFERED AT THESE EMOTIONAL PRICES IS BEING LEFT THERE; THAT IS, PEOPLE AREN'T TAKING IT QUITE SO QUICKLY ANY MORE, SO YOU ARE BEGINNING TO SEE THAT START ALREADY. I THINK THAT THESE ARE THE KINDS OF THINGS WE NEED TO FOCUS AND AND IF WE, TOO QUICKLY,

SAY TO OURSELVES, "LET'S FIGURE OUT HOW TO MANAGE THIS FINANCIALLY" WE MAY WIND UP KIDDING OURSELVES INTO THINKING WE REALLY CAN WHEN WE CAN'T AND IT WILL TEND TO BLOW UP IN OUR FACE. I THINK OUR BASIC THRUST HERE, AND WHEN I SAY "OUR" I MEAN THE UNITED STATES OR BROADLY THAT SIMPLY THIS MEETING, IS TO SAY, WELL, LET US LOOK AT THESE DEVELOPMENTS TOGETHER THROUGH AN ORDERLY PROCEDURE, A PROCEDURE THAT STARTS WITH THE COUNTRIES THAT ARE MAJOR CONSUMERS OF OIL, ADDS ON THE SPECIAL PROBLEMS OF THE DEVELOPING WORLD AND COMES TOGETHER PROGRAMMATICALLY WITH THE UNCLASSIFIED

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OIL-PRODUCING COUNTRIES. AND WHEN I SAY PROGRAMMATICALLY, I MEAN IN TERMS OF THE VARIOUS SEGMENTS OF THE PROBLEM, SUCH AS THE RESEARCH SEGMENT, THE FINANCIAL SEGMENT AND SO ON. THAT IS ESSENTIALLY THE PRESIDENT'S PROPOSAL FOR A CONFERENCE IN FEBRUARY.

Q. AT THAT CONFERENCE IN FEBRUARY, THERE HAS BEEN A FEELING HERE THAT ONE OF THE AIMS IS TO TRY TO STOP THESE BILATERAL ARRANGEMENTS THAT HAVE BEEN GOING ON, SWAPPING OIL FOR ARMS AND WHAT HAVE YOU. YET, IN YOUR SPEECH YOU ARE TALKING ABOUT LEAVING THE WAY OPEN FOR THEM, SAYING, IN EFFECT, THAT BILATERAL AGREEMENTS ARE O.K. SO LONG AS THEY FIT INTO AN INTERNATIONALLY-AGREED FRAMEWORK.

A. IF THERE IS AN EXCHANGE BETWEEN TWO PARTIES, IT IS THUS BILATERAL AND EXCHANGES HAVE THAT CHARACTERISTIC. NOW, THE QUESTION ISN'T WHETHER EXCHANGES AND ARRANGEMENTS BETWEEN PARTIES ARE GOING TO EXIST--THEY ARE GOING TO EXIST. THE QUESTION IS WHETHER OR NOT THOSE WILL TAKE PLACE UNDER AN UNDERSTOOD AND COOPERATIVELY-DEVELOPED UMBRELLA, SO THAT THEY ARE NOT PUT IN JUST A POSITION AND COMPETITION WITH EACH OTHER. THAT IS THE PROBLEM, SO THAT PEOPLE ACT WITH SOME MUTUAL UNDERSTANDING OF WHAT ARE DOING.

Q. MR SECRETARY, ALTHOUGH YOU SAID THAT YOU STILL THINK IT IS NECESSARY TO MEET THE JULY 31 DEADLINE, THERE HAS BEEN SOME VAGUENESS AS TO PRECISELY WHAT TERMS. COULD YOU EXPAND ON THIS? THE UNDERSTANDING THAT HAS GOTTEN AROUND HERE IS THAT ONE WILL DROP IT ALL EXCEPT IN THE MOST GENERAL TERMS, AND THAT THE 20 IS POSSIBLY TO BE DISBANDED IN THE SPRING.

A. I CAN ONLY SAY WHAT MY THINKING IS, OR I SHOULD SAY WHAT OUR THINKING IS. WE'VE DISCUSSED THIS A LOT IN THE U.S. GOVERNMENT, AND WE WILL LEARN THE VIEWS OF OTHERS. WE HAVE BEEN TALKING WITH OTHERS SINCE WE'VE BEEN HERE, BUT WE WILL LEARN THE VIEWS OF OTHERS IN THE MEETINGS IN THE NEXT TWO DAYS AND EXPECT TO BE INFLUENCED BY THOSE VIEWS, SO I CAN ONLY TELL YOU WHAT OUR SORT OF "GOING-ON" ATTITUDE IS. IT IS A POSITIVE ONE TOWARD THE JULY 31 DEADLINE, OR BEFORE. BECAUSE WE THINK THAT IT IS POSSIBLE TO ACHIEVE WORTHWHILE AND SUBSTANTIAL GOALS BY THAT TIME AND THAT IT IS IMPORTANT FOR THE COMMITTEE OF TWENTY TO

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DO THAT. IN EFFECT, A GOAL FROM THE BEGINNING HAS BEEN TO EVOLVE AN UNDERSTOOD, BROAD OUTLINE OF REFORM AND SOMEHOW TO GET THAT INTO A POSTURE WHERE, WITH SOME KIND OF MONITORING AND ADAPTING SURVEILLANCE, IT CAN GRADUALLY MERGE ITSELF WITH THE REALITY OF WORLD MONETARY DEVELOPMENT. I THINK IT IS IMPORTANT TO REMIND OURSELVES THAT THE BRETTOWN WOODS SYSTEM DID NOT SPRING FULL-BLOWN INTO BEING IT WAS NOT, I BELIEVE, UNTIL 1958 THAT CONVERTIBILITY, IN GENERAL, WAS ACHIEVED, FOR EXAMPLE, SO THAT I DON'T THINK THAT ANY REASONABLE EXPECTATION WAS THAT THERE WOULD A SNAP OF THE FINGERS OR AN UNVEILING OR SOMETHING AND THERE, PRESTO, WOULD BE A NEW MONETARY SYSTEM. RATHER, THAT THE GENERAL CHARACTERISTICS WOULD BE DEVELOPED AND UNDERSTOOD AND BROADLY AGREED AND SOME THINGS WOULD BE POSSIBLE TO IMPLEMENT BEFORE OTHERS AND THAT AT SOME POINT A SORT OF MARKER SHOULD COME DOWN AND THEN THE PROCESS OF EVOLUTION SHOULD TAKE PLACE. I THINK IF THE COMMITTEE OF TWENTY CAN ACHIEVE THOSE THINGS, AND DO SO BY THE MIDDLE OF THE YEAR, THAT WILL BE A SUBSTANTIAL AND WORTH WHILE ACHIEVEMENT. I THINK IT IS POSSIBLE, AND I THINK WE SHOULD TRY VERY HARD TO BRING IT OFF.

Q. COULD YOU SAY PRECISELY, MR. SECRETARY, WHAT THE UNITED STATES MEANS WHEN IT TALKS ABOUT GENERAL RULES FOR FLOATING?--- THAT YOU EXPECT TO ACHIEVE?

A. OBVIOUSLY, WE HAVE A SITUATION RIGHT NOW WHICH CAN BE DESCRIBED AS A MORE OR LESS FLOATING SITUATION WITH INTERVENTION. IT ISN'T A SO-CALLED CLEAN FLOAT--NOBODY DESCRIBES IT THAT WAY--IT IS A FLEXIBLE SYSTEM WITH A PATTERN OF INTERVENTION THAT HAS SORT OF EMERGED /ADHOC/ FOLLOWING THE LST PARIS MEETING IN MARCH. WE THINK THAT IT IS DESIRABLE, IN SEEING THIS SYSTEM IN PLACE EVOLVE, TO HAVE SOME MORE EXPLICITLY UNDERSTOOD RULES FOR BEHAVIOR. AND WE THINK, BROADLY SPEAKING, THAT THEY WOULD HAVE TO DO WITH WHAT HAPPENS TO PEOPLE'S RESERVE POSITIONS. WE HAVE MADE SOME PROPOSALS, AS HAVE OTHERS IN THE COMMITTEE OF TWENTY, THAT WE THINK WOULD BE HELPFUL.

Q. MR. SECRETARY, READING BETWEEN THE LINES, IT SEEMS ALMOST ON TOP OF THE LINES. IT SEEMS CLEAR THAT YOU ARE CONTENT TO LET THE DOLLAR FLOAT FOR THE FORESEEABLE FUTURE. IS THAT THE BEST SYSTEM UNTIL THESE MANY PROBLEMS YOU DESCRIBED ARE IRONED OUT?

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A. WELL, WE HAD THOUGHT AT THE TIME OUR POSITION WAS PUT FORWARD A YEAR AGO LAST SEPTEMBER THAT A SYSTEM WHICH HAD ITS CENTER OF GRAVITY IN PAR VALUES AND WHICH HAD A CLEAR OPTION FOR FLOATING WAS A PROSPECTIVELY GOOD SYSTEM. WE EXPECTED THAT THE UNITED STATES WOULD BE PART OF THAT CENTER OF GRAVITY. WE

DON'T SEE ANY REASON TO CHANGE OUR MIND ABOUT THAT. WE THINK THAT THE OIL PRICE DEVELOPMENTS CONSTITUTE AN EVENT THAT MAKES IT VERY HARD TO ESTABLISH PAR VALUES IN THE NEAR FUTURE AND THAT, ON THE WHOLE, THE MORE OR LESS FLOATING SYSTEM THAT HAS EMERGED HAS HANDLED THESE DEVELOPMENTS PRETTY WELL, SINCE AT LEAST THAT, THE ONE CRISIS YOU HAVEN'T BEEN (I WAS GOING TO SAY YOU HAVEN'T BEEN WRITING ABOUT) IS THE MONETARY CRISIS, AND I THINK YOU COULD IMAGINE YOURSELF FOUR OR FIVE MONTHS AGO WITH A SYSTEM OF STRONGLY DEFENDED PAR VALUES, AND WE WOULD HAVE HAD QUITE A SHOW. BUT I DO THINK THAT THE SYSTEM NEEDS TO BE GIVEN MORE BODY AND THAT IT GETS MORE BODY BY GETTING AGREEMENT ON THE NATURE OF THE ADJUSTMENT PROCESS, THE NATURE OF RULES FOR FLOATING AND FOR SETTLING DOWN AND THEN BEING MOVED GRADUALLY INTO THIS CENTER OF GRAVITY TYPE SITUATION THAT I MENTIONED.

Q. MR. SECRETARY, HOW DO YOU FEEL ABOUT THE POINT THAT THE DOLLAR HAS REACHED AT THE MOMENT AND RECENTLY? DO YOU AGREE WITH PRESIDENT POMPIDOU'S REMARKS THAT AMERICANS ARE CONCERNED THAT IT IS TOO HIGH?

A. WELL, I DON'T-- I HAVEN'T HEARD PRESIDENT POMPIDOU'S REMARKS AND I PREFER NOT TO COMMENT ON WHAT SOMEBODY ELSE SAYS. JUST IN TERMS OF THE SITUATION, OF COURSE, WE FELT THAT THE DOLLAR FEEL TOO LOW IN THE SUMMER, AND SAID SO AND SAID THAT WE THOUGHT IT WOULD COME BACK AND THAT, BROADLY, THE DOLLAR OF FEBRUARY WAS APPROXIMATELY RIGHT, WE THOUGHT. IT HAS COME BACK THROUGH NATURAL FORCES AND I THINK THE PATTERN OF SORT OF /AD HOC" INTERVENTION THAT HAS DEVELOPED HELPED TO GIVE SOME BODY TO THE MARKET AND IMPLEMENT THE IDEA THAT WE HAD A PROGRESSIVE, ORDERLY MARKET. IT IS A BOLD PERSON WHO CAN GIVEN AN OPINION ON PRECISELY WHAT RELATIVE EXCHANGE RATES ARE RIGHT RIGHT NOW. IN FACT, THAT IS REASON WHY IT WOULD BE SO DIFFICULT TO GO TO PAR VALUES RIGHT NOW. BUT I WOULD SAY MY SENSE OF THE SITUATION IS THAT THE MARKET HAS REACTED A LITTLE BIT TOO FAR AND THAT WE MAY SEE SOME DEVELOPMENT IN THE OTHER DIRECTION, BUT THAT IS JUST MY INSTINCT AT THE MOMENT AND DEVELOPMENTS WOULD HAVE TO BE SEEN.

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Q. WOULD /AD HOC" INTERVENTION BE PART OF INFLUENCING THAT RESULT?

A. YES, IT COULD BE.

Q. MR. SECRETARY, MR. EMMINGER HAS BEEN QUOTED THESE DAYS AS SAYING THAT HE IS OPTIMISTIC THAT PROBABLY BEFORE MARCH SOME FAIRLY WELL-DEFINED BASKET OF CURRENCIES COULD BE DRAWN UP WITH WHICH TO VALUE THE SDR'S. WHAT ARE YOUR FEELINGS ABOUT THIS POSSIBILITY?

A. WELL* THAT IS ONE OF THE QUESTIONS THAT WE ARE GOING TO BE DISCUSSING IN THE NEXT COUPLE OF DAYS. IT HAS BOTH, A SHORT-TERM AND A LONG-TERM DIMENSION, AND IT'S HARDLY IN THE INTERESTS OF

THE POINT WE WERE DISCUSSING EARLIER, NAMELY, THE MERGENCE
OF AS MUCH MONETARY REFORM AS CAN BE ACHIEVED. WE THINK
THAT WHATEVER IS DONE IN THE SHORT-TER SHOULD HAVE ITS EYE
ON WHAT WE THINK IS AN APPROPRIATE ARRANGEMENT IN THE LONG-TERM.
JUST WHATKIND OF A MARKET B

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